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United States Information Agency

Office of INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS



This report has been provided, through the Director of the United States Information Agency, to the following Congressional oversight committees:

Senate Committee on Appropriations
Senate Committee on Foreign Relations
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Committee on Foreign Affairs
House Committee on Governmental Affairs

INSPECTOR GENERAL ACT OF 1978



Purpose:

In order to create independent and objective units ... there is hereby established in each of such establishments an office of Inspector General.

Duties and Responsibilities:

- (a) It shall be the duty and responsibility of each Inspector General with respect to the establishment within which his Office is established...
 - (1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment...
 - (3) to recommend policies for and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations...
 - (5) to keep the head of such establishment and the Congress fully and currently informed, by means of the reports required in section 5 and otherwise, concerning fraud and other serious problems, abuses, and deficiencies ..., to recommend corrective action concerning such problems, abuses and deficiencies, and to report on the progress made in implementing such corrective action.

Semiannual Reports:

(a) Each Inspector General shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing the activities of the Office during the immediately preceding six-month periods ending March 31 and September 30.

Excerpt from Public Law 95-452, as amended.

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INTRODUCTION

This is the seventh semiannual report issued by the Office of Inspector General (OIG), United States Information Agency (USIA), since it became statutory on August 27, 1986. It is issued pursuant to the Inspector General Act of 1978, and conforms to the new reporting requirements as set forth in the Inspector General Act Amendments of 1988 (P.L. 100-504). The report covers the six-month period from October 1, 1989, through March 31, 1990.

USIA, an independent organization within the executive branch with a fiscal year 1990 budget request of \$949.2 million, is responsible for the U.S. Government's overseas informational, educational exchange and cultural programs. It maintains 205 posts in 128 countries and has a current authorized staffing level of 9,231, consisting of 5,387 Americans and 3,844 foreign nationals. It is the parent agency of the Voice of America. Overseas, USIA is known as USIS, the United States Information Service. USIA's global mission and the world-wide deployment of its resources are significant factors impacting on OIG's audit, inspection and investigative functions.

During this reporting period, OIG continued to focus its efforts on (1) the review of Agency bureaus and offices expending significant amounts of the Agency's budget, (2) those activities considered most vulnerable to loss or abuse, and (3) programs and operations of concern to the Agency and the Congress. These efforts were oriented towards the issue areas identified in our Annual Plan; namely, Financial Management, Program Evaluation, Grants Management, Procurement, and Management and Administration. A summary of these efforts follows, as well as highlights of certain "Areas of Concern" to OIG and the Agency which have the potential to impact adversely on the effective and efficient management of Agency resources and accomplishment of the Agency's program objectives. While these concerns have been reported by Agency Management to the Office of Management and Budget (OMB) and listed in its Federal Managers' Financial Integrity Act (FMFIA) submissions, they are highlighted in this report in response to Congressional requests.

HIGHLIGHTS OF AREAS OF CONCERN

Obsolete Written Policies and Procedures

The Agency's Manual of Operations and Administration (MOA) does not provide up-to-date written policies and procedures for control over its programs and operations. The Director of USIA has ordered a revision of the MOA to be completed by August 1, 1990.

Weaknesses in Financial Management

The Agency has not complied with OMB Circular No. A-127 "Financial Management Systems" which requires the development of a formal five-year plan for a single, integrated, and efficient financial management system. A formal financial management plan is scheduled to be implemented by the end of fiscal year 1990.

In addition, the Agency's primary accounting system does not always provide accurate information to ensure timely reconciliation of financial information by users who often must rely on unofficial cuff records. The Agency has been upgrading its accounting systems and has set a target date of 1992 for a single integrated financial management system.

Inadequate Property Management

The Agency's property management system does not adequately provide for the accountability of nonexpendable personal property valued at approximately \$200,000,000 world-wide. A Property Management Information System is in the process of development through a two-step approach. The first step will fulfill essential elements of the system and will be in place in 1990. The second step will fully integrate the system with the procurement and accounting system, as part of the Bureau of Management's automation plan. The total system is scheduled to be fully operational in 1991.

Inadequate Grant Policies and Procedures

The Agency's policies and procedures governing grant activities do not provide sufficient guidance to control the grant process. Procedural revisions are in progress with completion targeted for 1990.

Inadequate Control of J-1 Visas

Agency regulations and procedures governing the administration of the J-1 Visa program do not adequately control or track the issuance of the visas, and are not sufficiently comprehensive to ensure compliance with the intent and purpose of the Mutual Education and Cultural Exchange Act of 1961. In response to a General Accounting Office review of this program, USIA is taking action to address these concerns. OIG is currently monitoring the Agency's corrective actions and has scheduled a follow-up audit in 1991.

Inadequate Internal Control of Fulbright Binational Commissions

More effective management controls are needed over Fulbright Binational Commissions, including the issuance of a manual of administrative operations and clarification of its enforceability. The Agency plans to complete, in 1990, a revision of its Manual of Administrative Procedures for Binational Commissions and Foundations, including standards for accounting and internal controls. In addition, OIG is scheduling a review of accounting systems at selected Fulbright Binational Commissions.

Statistical Highlights of Actions This Period

	Audit and Inspection Reports Issued (Appendix Investigations Completed (Appendix C)	
- <u>Po</u>	tential Monetary Impact	
	Questioned Costs in Reports Issued	\$1,861,302
	(Appendix D, Ib)	
	Recommendations That Funds Be	
	Put to Better Use	<u>0</u>
	(Appendix E, Ib)	
	Total	\$1,861,302
c	tual Monetary Impact	
		\$326,000
	Questioned Costs Sustained	\$326,000
	Questioned Costs Sustained(Appendix D, IIa)	
	Questioned Costs Sustained(Appendix D, IIa) Funds Put to Better Use	125,000
	Questioned Costs Sustained	125,000
	Questioned Costs Sustained	125,000
	Questioned Costs Sustained	125,000
	Questioned Costs Sustained (Appendix D, IIa) Funds Put to Better Use (Appendix E, IIa) Investigative Recoveries (Appendix C) Total Total eports Where Management Action is Pending	125,000 <u>18,144</u> \$469,144
	Questioned Costs Sustained	125,000 18,144 \$469,144
	Questioned Costs Sustained (Appendix D, IIa) Funds Put to Better Use (Appendix E, IIa) Investigative Recoveries (Appendix C) Total Total eports Where Management Action is Pending	125,000 18,144 \$469,144
	Questioned Costs Sustained	125,000 18,144 \$469,144 \$1,748,724

Highlights By Issue Area

FINANCIAL MANAGEMENT

USIA Domestic Payroll System

An audit of the Agency's domestic payroll system revealed certain internal control weaknesses, such as (1) inadequate controls over computing, preparing, recording, and certifying payrolls; (2) incorrect State income tax withholding computations; (3) lack of a step-by-step payroll procedures manual; (4) inadequate controls over paycheck distribution; and (5) lack of review of Time-and-Attendance reports. In response to OIG's recommendations, the Agency has either initiated or completed appropriate corrective actions. (p. 24)

USIA Domestic Accounting Classification System

An audit of the Agency's domestic accounting classification system resulted in OIG recommending that the Agency adopt a centrally-managed, smaller and more efficient accounting structure which would standardize classification of administrative accounting codes. The Agency agreed that improvements could be made and has proposed corrective solutions. (p. 25)

Domestic Accounts Receivable and Suspense Deposit Fund Systems

An audit to assess the adequacy of the Agency's reconciliation of domestic accounts receivable and suspense deposit fund systems disclosed several deficiencies such as (1) unreconciled differences in the advance of pay account; (2) inadequate identification of accounts; (3) lack of timely collection actions, and (4) obsolete procedural manuals, which led OIG to recommend that the Agency initiate corrective actions.

The Agency agreed with OIG's recommendations and has proposed corrective actions, some of which already have been implemented. Others, are targeted for completion by the end of fiscal year 1990. (p. 25)

Imprest Funds

An audit of 14 of the Agency's 25 domestic imprest funds determined that they were not in full compliance with Treasury and Agency regulations and were vulnerable to fraud and misuse. Cash verifications disclosed three separate shortages totaling \$9,151 which were referred to OIG's investigative staff for further review.

Agency management concurred with OIG's recommendations that current controls over imprest funds need to be improved and strengthened, and corrective actions have been initiated. (p. 26)

USIA Bankcard Pilot Program

An audit of the Agency's implementation of a bankcard pilot program determined that while adequate internal control standards have been established, instances of non-compliance have occurred largely because of unfamiliarity with the standards. Specifically, OIG found that no written procedures had been issued by the Office of the Comptroller to govern the processing of bankcard transaction documentation. In addition, OIG observed that the Agency had no formal plans for meeting a greatly increased administrative workload that would result if the bankcard program were to be implemented Agency-wide. The Agency concurred with OIG's recommendation and is in the process of initiating corrective actions. (p. 27)

PROGRAM EVALUATION

Overseas Post Operations

OIG inspected operations at two USIS country posts overseas during this reporting period: the Dominican Republic and Haiti.

At each post, OIG found that the Ambassador and mission officials viewed the post's activities as significant and contributing "across the board" to the attainment of U.S. goals and objectives.

However, there were anomalies in the status of the libraries. Clarification was needed to determine whether they were USIS libraries or USIS-supported libraries under the control of the binational centers (local institutions with board members from American and host-country nationalities).

In Haiti, OIG found a discrepancy between the mission goals and the USIS country plan and noted that the post's Institutional Analysis was outdated, having been written under an earlier regime. In the Dominican Republic, OIG identified deficiencies in the managing and administering of grants and recommended strengthening of management controls. The Agency concurred with all OIG recommendations. (p. 11)

USIA Library Policy

OIG inspected the applicability of USIA's library policy statements from the early 1980s to determine if policy guidance was still valid in light of rapid technological change, tight budgets, and deteriorating security conditions overseas. The inspection concluded that the policy guidance was still valid, but that new operational issues could require further guidance from Agency management in the future. No formal recommendations were made, but OIG suggested that a working group be formed to examine recent trends affecting USIA libraries and that the Director of USIA consider issuing a new library statement. (p. 22

GRANTS MANAGEMENT

Grants Management

Previous audits identified weaknesses in E Bureau's overall grant management procedures. Although recommendations regarding some of the deficiencies initially noted by OIG have been implemented, OIG has initiated follow-on work to examine weaknesses in the area of grant-award and program administration, fiscal compliance, and automation. (p. 18)

Individual Grant Audits

OIG issued 12 audit reports on grantees with \$89.3 million in total expenditures, identifying \$1.6 million in questioned costs, and recommending improvements in grantee internal control and accounting systems. (pp. 19-22)

PROCUREMENT

Construction Delay Claim Audit

A firm fixed-price contract was awarded to erect a transmitter building and to accomplish antenna refurbishment and road work at the Radio Marti transmitter facility in Marathon, Florida.

After nine modifications to the contract and a revised completion date, the contractor filed four separate claims citing governmentcaused delays. Based on OIG's findings, the Agency Contracting Officer proposed a negotiated settlement which was accepted by the contractor, and resulted in a sustained cost savings of \$108,303. (p. 16)

MANAGEMENT AND ADMINISTRATION

Training for Foreign Service Officers and Staff

OIG reviewed previous inspection and audit reports to identify recurring deficiencies in the management and administration of overseas posts. After conducting a survey and interviews, plus reviewing legislative and administrative guidelines, OIG concluded that to address these deficiencies, USIA needed to do a more purposeful and systematic job of training its personnel assigned to overseas management and administrative positions. The Agency concurred with the OIG's recommendations, pointing out that many had been implemented and that others required resources that were not then available. (p. 27)

Investigations

Most of the OIG investigations conducted during the period related to thefts of government funds, (mainly from imprest funds), time-and-attendance fraud, misuse of government resources, and general employee misconduct issues.

As noted in previous reports, OIG investigations have established that the primary causative factor in the majority of these kinds of cases has been due to inadequate supervision.

Results of the 23 cases closed during this period included disciplinary and corrective actions, resignations, and prosecution. Also, Agency management or administrative deficiencies were identified. Monetary results from the cases closed totaled \$18,144. (p. 29)

Assistance to Congress and Agency Management

Assistance to Congress and Agency management has included a limited audit of the Agency's progress in implementing the Federal Managers' Financial Integrity Act, providing assistance in streamlining the Agency's audit recommendation follow-up system, and discussing with Agency management the need to institutionalize a formalized medium- to long-range planning process. (p. 32)

Legislative and Regulatory Activities

OIG's legislative and regulatory efforts have included the review and endorsement of Senate Bill S2080 and House Bill H.R. 4149, to provide full law-enforcement authority for OIG criminal investigators, and initiation of action with the Agency's Office of General Counsel to implement the provisions of the Program Fraud Civil Remedies Act. (p. 33)

President's Council on integrity and Efficiency (PCIE) Activities

OIG has also participated in several President's Council on Integrity and Efficiency (PCIE) projects providing input concerning such issues as the development of accounting systems in the federal government, and the identification of high-payoff audits. (p. 33)

Fraud Awareness and Prevention Activities

OIG continued to present orientation and fraud awareness programs to all new Agency employees. Management Implication Reports (MIRs) identifying systemic deficiencies causing waste, fraud or abuse, noted during the course of investigations, were forwarded to Agency management for their consideration of action. (p. 34)

II - OVERSEAS POST OPERATIONS

BACKGROUND

USIA, with its cultural and educational exchanges, radio, television, and information programs operates at posts around the world. The primary tasks of USIA personnel assigned to these posts are to:

- strengthen foreign understanding and support for United States policies and actions:
- counter attempts to distort the objectives and policies of the United States:
- assist Agency leadership in advising the President, the Secretary of State, members of the National Security Council and other key officials on the implications of foreign opinion for present and contemplated United States policies; and
- manage USIA's informational, cultural and library activities in the host country.

HIGHLIGHTS

OIG inspected operations at two USIS country posts overseas during this reporting period, the Dominican Republic and Haiti, using multi-disciplinary teams of foreign service officers, auditors, and/or management analysts. Summaries of the inspection reports issued follow:

USIS DOMINICAN REPUBLIC

OIG inspected USIS Dominican Republic from November 15 to December 1, 1989. Headquartered in the capital city of Santo Domingo, USIS was staffed by three Americans, ten Foreign Service Nationals and one personal services contractor. The post administered a budget of approximately \$1 million for fiscal year 1989.

The Dominican Republic associates closely with the U.S. and other states of the inter-American system, with the exception of neighboring Haiti, with which relations are not close. U.S. relations with the Dominican Republic are cordial.

More focused program with greater emphasis on promotion of democracy recommended USIS operates in the Dominican Republic in an environment that is extremely open to USIS programs. With the communication environment so open, however, the post has overextended itself. OIG recommended a more focussed program with greater emphasis on the fostering of democracy, the mission's number one priority goal, and urged that the utilization of post resources be more tightly tied to priority programs.

OIG also found that staffing was skewed in favor of information over cultural programming, even though the post budget showed more resources allotted to the cultural side of the program. In effect, the section with the greater funding had fewer personnel to administer its programs. OIG recommended a realignment of staffing in order to bring the information and cultural sections more into balance.

Clarification of legal status of library recommended OIG looked into the condition and status of the USIS Lincoln Library, located in the Santo Domingo Binational Center. OIG found that the library's physical condition and program support were not up to USIS worldwide standards and identified options that management could pursue to resolve the problem. OIG also identified anomalies in the status of the library--whether it was a USIS library or a USIS-supported Binational Center library. Personnel and leasing arrangements were addressed, and it was recommended that the Agency take steps to clarify these issues in order to avoid potential legal uncertainties, such as librarians contending they are U.S. government employees.

Increased management control of grants management recommended Deficiencies in managing and administering grants were noted, and OIG recommended implementing appropriate controls. Support/assistance grants (as opposed to individual program grants) were not planned, administered, and monitored to assure efficient use of the post's funds.

The Agency concurred with all OIG recommendations. (Report No. I-90-01)

USIS HAITI

OIG inspected USIS Haiti from December 2 to December 20, 1989. Located in the capital city of Port-au-Prince, USIS was staffed by three Americans and nine Foreign Service Nationals. Its budget for fiscal year 1989 was approximately \$1 million.

USIS works in a volatile political

environment

Dictatorial government has been the norm in Haiti, the second oldest republic in the Americas after the U.S. Of 36 heads of state since independence in 1804, 24 were forced to resign and seven were killed in office. In 1957, Francois Duvalier assumed the presidency following a year of political turmoil and maintained absolute political control until his death in 1971, when his son Jean-Claude replaced him. Their 29year repressive rule ended in 1986 when Jean-Claude fled Haiti following months of tension and civil disorder. Since 1986, Haiti has had five different governments: a national council; a civilian government overthrown after four months in office; an army general, followed by another Army general, General Prosper Avril; and a provisional civilian president, Supreme Court Justice Ertha Pascal-Trouillot, the current incumbent.

Haitian foreign relations have focussed on two nations, the Dominican Republic--with which it has strained relations--and the U.S. After the fall of the Duvaliers in 1986 and following the election day massacres of November 1987, all but humanitarian U.S. aid was cut off. U.S. officials have since emphasized that direct aid would not be resumed until Haiti installs a civilian government, respects human rights, and curtails drug trafficking.

Mission sees USIS role as vital to achieving U.S. goals

The mission views the USIS public affairs role in Haiti as vital to the achievement of overall U.S. goals in the country. The program environment for USIS Haiti has changed substantially for the better since the fall of the Duvaliers in 1986. A relatively free press has developed, and USIS has played an important role in the post-Duvalier development of this media.

Discrepancy between mission goals and USIS country plan noted

However, OIG found a discrepancy between the mission goals and the USIS country plan and recommended that the post place greater emphasis on economic issues in keeping with the priorities of the mission. OIG also found that the post's Institutional Analysis was outdated, having been written under the Duvalier regime, and recommended that it be updated. OIG also recommended improved communications and management between Washington and the post, as well as within the post itself.

Increased post support to AID effort in Haiti recommended Because radio is the most important medium in Haiti, OIG recommended that radio be given a higher priority in the post's programming, and recommended a number of steps that the post should take to improve the efficiency and output of its radio program. OIG also made recommendations relating to an increased post support to the Agency for International Development (AID) effort in Haiti.

Clarification of legal status of library and librarians recommended In addition, OIG found uncertainty in the status of the Martin Luther King, Jr. Library located in the Haitian-American Institute, Portau-Prince's Binational Center. It was not clear from available records and interviews whether the library was a USIS library or whether it was a USIS-supported Binational Center library. Management was asked to clarify the status of the library and its librarians.

Further, OIG found deficiencies in the area of personnel administration. Some Performance Evaluation Reports were overdue, and position descriptions were outdated. Corrective measures were made. OIG also supported mission and USIS efforts to find new space for the cramped USIS operations in Haiti.

The Agency concurred with all OIG recommendations. (Report No. I-90-02)

ONGOING AND PROJECTED OIG WORK OVERSEAS

Fieldwork, preliminary findings, and recommendations have been completed for the inspections of USIS posts in Syria and Nepal. Inspections in progress include the Soviet Union and Mexico. Reports on these inspections are scheduled to be issued during the next reporting period.

III - VOICÊ OF AMERICA

BACKGROUND

The Voice of America (VOA), USIA's radio service to the world, broadcasts more than 1,000 hours of programming each week in English and 42 other languages to an estimated 127 million listeners. VOA's Radio Marti began broadcasting to Cuba May 20, 1985 and is on the air 24 hours a day.

VOA broadcasts originate in its Washington, D.C. studios and are beamed to listeners from 15 relay stations located in the United States and 11 foreign countries. The shortwave and medium wave transmitters at these stations have a total power in excess of 25 million watts.

VOA programs are also carried by many local AM and FM stations and networks around the world, and the number of these affiliations is growing. Satellites, international telephone service, high-frequency transmissions, and airmail are used to deliver VOA programming to affiliated broadcasters.

The largest of all USIA elements, VOA has a current authorized permanent ceiling level of 2,640, and including Radio Construction, represented 26.7 percent, or \$253.6 million, of the Agency's fiscal year 1990 \$949.2 million appropriation.

VOA is also proceeding with the test of the transmission system of television broadcasts to Cuba known as TV Marti.

This congressionally mandated operational test, for which \$7.5 million has been allocated, is expected to be completed by mid-summer 1990.

HIGHLIGHTS

During this period, OIG conducted a construction delay claim audit relating to a Radio Marti contract and audited VOA's contract with the British Broadcasting Corporation.

Summaries of these activities are highlighted as follows:

Construction Delay Claim Audit

The Office of Contracts awarded a firm fixed-price construction contract in the amount of \$605,300 on December 8, 1986. The contract was to construct a transmitter building, antenna refurbishment and road work at the Marathon Transmitter Facility for Radio Marti at Sister Creek Island, Marathon, Florida.

There were nine modifications to the contract which resulted in a net increase of \$66,356 to the original contract amount of \$605,300 for a revised total contract amount of \$671,656. Also, the completion date was revised from August 2 to December 19, 1987. As a result of the proposed delays cited by the contractor and the additional work as requested by the Authorized Representative of the Contracting Officer (AR/CO), the contract was eventually completed on April 20, 1988.

The contractor filed four separate claims citing Government-caused delays in completing the contract within the six-month time frame. The contractor was requesting \$172,313 for the 279 calendar days beyond the original 180 days for completion of the contract.

Negotiated settlement based on OIG findings resulted in savings of \$108,203 In settlement of the contractor's original claim dated May 3, 1988, the Director, Office of Contracts, as a result of OIG's findings, proposed a negotiated settlement of \$64,010. The contractor accepted the amount resulting in a net cost savings of \$108,203. (Report No. A-90-11)

Contract With British Broadcasting Corporation (BBC)

USIA, through an agreement with BBC, has utilized BBC broadcast facilities in its international broadcasting program. The contractual agreement provides for the Agency's use of BBC reception facilities at London and primary use of ten 250kw transmitters at the Wooferton transmitting installation. The current contract covers the period April 1, 1984 through March 31, 1994.

OIG audited claimed operating costs of \$17.2 million for the Wooferton Transmitting Station and the reception services at BBC-Bush House during the period April 1, 1985 through March 31, 1989, to determine compliance with the terms and conditions of the contract and to evaluate compliance with prescribed administrative and accounting requirements, and implementation of prior audit recommendations. **Ouestioned** costs of \$28,394 identified

Amendments to current operating agreement recommended

The audit identified questioned costs of \$28,394 due USIA as the result of improper billing of value added tax (VAT). OIG also recommended that the current operating agreement be amended to include the following: (1) relocation of reception services from BBC's Crowsley Park location to its Bush House location; (2) a requirement that BBC submit, for review by the Agency, an overhead rate submission as a part of its operating cost proposal each year; (3) establishment of a fixed percentage for the management fee without regard for an economic indicator; and (4) deletion of the requirement for BBC to submit a statement of actual salary costs incurred at the Wooferton Transmitting Station. Further, that the Contracting Officer, in conjunction with VOA, determine if the cost of \$74,586 to remove polychlorinated biphenyl (PCB) fitted capacitors from the Wooferton Station is allowable under the contract and accordingly negotiate a settlement with BBC.

The report has been forwarded to the Agency Contracting Officer for negotiation. (Report No. A-90-15)

ONGOING AND PROJECTED OIG AUDIT WORK AT VOA

OIG is continuing to examine VOA's efforts to establish a television broadcasting system to Cuba (TV-Marti). Also, OIG is reviewing the schedule, cost, and financial reporting of VOA's modernization program with emphasis on the current construction of new relay stations in Morocco and Thailand.

IV - BUREAUS AND OFFICES

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS

BACKGROUND

USIA, and specifically the Bureau of Educational and Cultural Affairs (E Bureau), operates the U.S. government's programs of educational and cultural exchanges. These exchanges fall into the following categories: Academic Programs, of which the Fulbright Program is the best known, are projected to involve the exchange of about 4,100 U.S. and foreign students during academic year 1990-91; the International Visitors Programs involving about 5,000 individuals; International Youth Exchanges; Artistic Ambassador Programs; and Private Sector Programs. The Bureau also maintains or supports 156 libraries or reading rooms in 95 countries, maintains or assists approximately 200 cultural centers in nearly 100 countries, and promotes the teaching of English as a foreign language. Over 500,000 foreign citizens study English at USIA-assisted facilities abroad. The Bureau is the principal Agency element charged with the administration and oversight of grants awarded by USIA.

HIGHLIGHTS

During this period OIG continued its review of grants management. In addition, individual audits of 12 grantees representing total expenditures of about \$89.3 million were conducted. OIG also conducted an inspection of the Agency's library policy.

Summaries of these activities are highlighted as follows:

Grants Management

The E Bureau established guidelines in May 1983 for a grant application and review process outlining the process and specific steps that each programming office must take prior to final grant approval and award. As a result of specific concerns raised regarding certain Private Sector Program grants and OIG's prior work in this area, OIG examined the process and identified weaknesses in E Bureau's overall grant management procedures.

Weaknesses in overall grant management procedures dentified

OIG recomenended that E Bureau provide better documentation for grant actions in the official grant files and examine the role of the grants coordinator. Subsequently, E Bureau notified OIG that it had revised its documentation procedures, eliminated some of the grant coordinator's duties, clarified other duties and provided a draft of "E Grant Guidelines." OIG has injated followon work which is intended to examine identified weaknesses in the area of grant award administration, fiscal compliance and automation. (Report No. L-90-03)

Individual Grant Audits

OIG audits of 12 Bureau grantees representing total expenditures of about \$89.3 million resulted in questioned costs of\$1.6 million.

Grantees are given an opportunity to respond to OIG's preliminary findings, and to the final reports when transmitted to then by the Agency's Contracting Officer. By the end of the period, all grant audit reports issued this period were under review by the respective Contracting Officers to determine how much of the questioned costs will be sustained.

Summaries of six of these reports follow:

International Management and Development Institute (IMDI)

IMDI is a nonprofit educational institute established to build closer bonds of unity among men and nations through better international understanding and cooperation among government and business. This is achieved through educational programs which include policy seminars, monthly briefings, roundtable discussions, research, publishing and work of the Fowler-McCraken Institute.

July 1, 1984 to June 30, 1988, on six USIA grants. Of these costs, \$60,914, or 26 percent of the costs claimed, were tested, of which the OIG identified \$7,611 in questioned costs, including \$3,804 in ineligible costs and \$3,807 in unsupported costs. The report also contains management recommendations concerning the need for the timely submission of reports, the canceling of vendor invoices,

and the segregation of incompatible duties. (Report No. A-90-02)

IMDI claimed costs of \$235,984 during the audit period

\$1.6 million in questioned costs identified

Tighter internal controls recommended

American Council On Education (ACE)

ACE is a nonprofit organization that provides direction and leadership to its higher education members in improving educational climate, policies, standards, and procedures. Founded in 1918, ACE serves as an umbrella organization to about 1,600 members from different walks of the academic world including universities, two- and four-year colleges, and national and regional education-oriented organizations.

ACE claimed costs of \$31,602,450 on four grants from USIA for the period audited January 1, 1985 to December 31, 1986. During this period, ACE also claimed costs of \$1,661,642 on three contracts from the Department of Defense, \$97,146 on one grant from the Department of State, and \$243,658 on one contract from the National Science Foundation for which USIA is the cognizant audit agency.

Total of \$770,961 in questioned costs identified OIG identified \$557,027 in questioned costs including \$544,216 of ineligible costs and \$12,811 of unsupported costs related to the USIA grants. OIG questioned \$165,709 in ineligible costs and \$3,326 in unsupported costs for the Department of Defense, \$21,506 in ineligible costs for the Department of State, and \$36,204 in ineligible costs for the National Science Foundation. OIG also recommended that the grantee file final financial reports on a timely basis. (Report No. A-90-05)

Meridian House International (MHI)

MHI is a nonprofit organization specializing in intercultural exchange programs and serving as an educational and cultural center. It offers various services to the Washington community and to its foreign visitors for such activities as conferences, seminars, and lectures. MHI, as an umbrella organization, provides overall leadership, program coordination, and centralized administrative services for its five affiliate organizations: National Council for International Visitors; Visitor Program Service; Washington International Center; International Visitors Information Service; and The Hospitality and Information Service.

MHI claimed \$37,889,055 on twenty-two grants from the USIA, and \$6,344,061 on three contracts from the United States Agency for International Development (USAID). The audit identified \$735,325 in questioned costs including \$469,874 of ineligible

costs and \$265,451 of unsupported costs related to the USIA grants. OIG questioned \$59,455 in ineligible costs and \$70,349 in unsupported costs for the USAID.

Improved internal controls and procedural compliance recommended

The report also contains recommendations concerning the need for improved internal controls and compliance with reporting standards, drawdown procedures, budgeting restrictions on line item expenditures, and timely award and issuance of grants. (Report No. A-90-10)

Operations Crossroads Africa, Inc. (OCA)

OCA is a private, nonprofit organization founded in 1957 to strengthen relations among the people of Africa, the Caribbean and the United States. To achieve this goal, OCA conducts two types of programs which broaden the scope of international understanding and cooperation. These programs are the African and Caribbean Overseas Program and the American and Caribbean Leaders Program.

OCA claimed costs of \$3,833,860 on six grants from USIA for the period audited July 1, 1984 to September 30, 1987. Of these costs, \$1,367,467 or 36 percent were tested. OIG identified \$245,886 in questioned costs, classifying \$245,383 as ineligible costs and \$503 as unsupported costs. OIG also instructed OCA to file Letter of Credit status reports in a timely manner and to return excess funds in the amount of \$32,488, currently in arrears, to USIA prior to receiving any future grant awards.

Internal accounting and administrative controls considered inadequate

Internal accounting and administrative controls were considered inadequate because of the numerous deficiencies noted. (Report No. A-90-16)

The American Association of Collegiate Registrars and Admission Officers (AACRAO)

AACRAO is a nonprofit corporation which was founded in 1910 with a membership of 24 college and university registrars and business officers. AACRAO has grown to a membership of over 2,000 institutions with 8,300 active members, and is headquartered in Washington, D.C. with a staff of 14 employees.

Improved management controls recommended AACRAO claimed costs of \$437,759 on five grants from USIA for the period audited July 1, 1985 to June 30, 1988. OIG identified ineligible costs of \$3,641 and unsupported costs of \$7,282 related to USIA grants. The report also contains management recommendations concerning the need for timely filing of all reports, the establishment of a purchase request system, the maintenance of accounts receivable, and the recording of the cost of books and publications that are held for sale and distribution. (Report No. A-90-12)

Youth For Understanding (YFU)

Established in 1951, YFU provides educational exchange opportunities to both American and foreign high school students. The international nonprofit organization operates in more than two dozen countries, maintaining 13 regional offices in the United States and an International Center in Washington, D.C. YFU has a worldwide network of 250 employees and thousands of volunteers.

Timely filing of reports recommended

YFU claimed costs of \$5,610,402 on nineteen grants from USIA for the period audited July 1, 1984 to September 30, 1988. Of these costs, \$642,177, or 11 percent of the costs claimed, were tested. OIG identified \$54,921 in questioned costs including \$52,546 of ineligible costs and \$2,375 of unsupported costs related to USIA grants. OIG also recommended that the grantee file reports on a timely basis. (Report No. A-90-14)

USIA Library Policy

OIG inspected USIA's library policy guidance from the early 1980s to determine if it was still valid in light of rapid technological change, tight budgets, and deteriorating security conditions overseas. The inspection concluded that the policy guidance was still valid, but that new operational issues could require further guidance from Agency management in the future.

Policy guidance still valid but updating suggested

These issues included, for example, the cumulative effect of continuing budget cuts on the nature of the Agency's overseas libraries, the decision-making process governing major library changes (not always understood or followed), the impact of current security conditions on overseas library operations, and the coordination of the application of technological change to library operations.

Working group and new library statement suggested

OIG suggested that the Agency Director consider issuing a new library statement expressing the views of Agency top management on the subject of the operation of overseas libraries and further suggested that the Director of the Bureau of Educational and Cultural Affairs form a working group to examine recent trends affecting USIA libraries. (Letter Report I-90-01)

ONGOING AND PROJECTED OIG AUDIT WORK AT E BUREAU

OIG is continuing with its review of the Ageancy's management and administration of its grants programs. Audits of selected Fulbright Binational Commission accounting systems are also scheduled.

BUREAU OF MANAGEMENT

BACKGROUND

Providing a wide variety of managerial, administrative, and support functions, the Bureau of Management plays a pivotal role in the day-to-day operations of the Agency. Included within the Bureau are the separate Offices of Administration, Technology, Personnel, Comptroller, Contracts, Small and Disadvantaged Business Utilization, Equal Opportunity and Civil Rights, and Security.

The Bureau of Management's operational activities are extremely diversified and impact on all Agency elements. OIG's reviews of this critical element are, therefore, equally broad in scope.

OIG activity during this period was focused primarily on issues relating to financial management. Reports issued pertained to the Agency's payroll, accounting classification and accounts-receivable systems. Imprest funds were also audited, and the Agency's pilot program for the utilization of a bankcard was examined. Based on recurring deficiencies noted in the administration and management of overseas posts, OIG also looked into the training needs for foreign service officers and staff.

Summaries of these activities are highlighted as follows:

USIA Domestic Payroll System

An audit of the Agency's domestic payroll system's internal controls was conducted to: (1) evaluate the adequacy and effectiveness of internal controls and procedures, and (2) to test statistically the accuracy and validity of payroll system data.

Improvements needed in internal controls

OIG found that the data in the payroll system appears to be valid and reliable in all material aspects. However, certain weaknesses in the payroll system's internal controls represented a need for improvement. Weaknesses noted included:

(1) inadequate controls over computing, preparing, recording and certifying payrolls; (2) incorrect State income tax withholding computations; (3) lack of a step-by-step payroll procedures manual; (4) inadequate controls over paycheck distribution, and (5) lack of review of Time-and-Attendance reports.

In response to OIG's recommendations, the Agency has either initiated or completed appropriate corrective actions to improve internal controls. (Report No. A-90-07)

USIA Domestic Accounting Classification System

An audit of the Agency's domestic accounting system structure was conducted to determine if financial information was being classified and reported in the most economical and efficient manner, and to assess the administrative and internal controls over this system.

Centrally-managed, smaller and more efficient accounting structure recommended

OIG found that the Agency needs to adopt a smaller and more efficient accounting structure which will standardize the use of domestic accounting classification codes and function code descriptions within the same appropriation or by different appropriations throughout Agency accounting systems. The Agency could benefit by utilizing an accounting system for administrative activities which: (1) provides for centralized control over accounting structure composition, (2) requires the same function code for all appropriations, and (3) uses fewer coding digits.

OIG recommended that in order to achieve greater compliance with OMB Circular No. A-127 and the CORE Financial Systems Requirements, a more uniform and efficient domestic accounting structure for administrative activities is needed which is based upon Congressional and Agency legal and assigned requirements for internal and external use. The Agency agreed that improvements should be made to certain aspects of the Agency's accounting system coding structure and proposed corrective solutions. (Report No. L-90-06)

USIA Domestic Accounts Receivable and Suspense-Deposit-Funds Systems

An audit was conducted to assess the adequacy of the Agency's reconciliation of domestic accounts receivable and suspense deposit fund systems and the administrative and internal controls over such systems.

Significant deficiencies noted

The review found: (1) the advance-of-pay account had unreconciled differences, inadequate identification of accounts, overdue
outstanding payments of over \$600,000, and few actions to effect
repayment; (2) Agency collection actions for goods and services provided to other federal agencies were not timely, and account balances of
over \$300,000 needed more accurate and periodic review for correction
or write-off; (3) commercial vendor overpayments of almost \$400,000
were not being collected when feasible by offset; (4) the Agency's
Manual of Operations and Administration governing travel advances
has not been updated to reflect new Agency travel procedures, and (5)
the Agency is incorrectly recording voided or returned vendor Treasury
checks in a suspense account and has not followed procedures to resolve suspense deposits held more than one year, including two unrelated offsetting amounts of about one million dollars each.

The Agency Comptroller proposed corrective solutions to the problems reflected in OIG's recommendations. In some cases, corrective actions have already been implemented with others targeted for completion by the end of fiscal year 1990. (Report No. L-90-08)

Imprest Funds

Shortages discovered -Internal controls need to be improved and strengthened An audit of 14 of the Agency's 25 domestic imprest funds determined that they were not in full compliance with Treasury and Agency regulations and are vulnerable to fraud and misuse. Cash verifications disclosed three separate cash shortages totaling \$9,151 with an additional shortage of \$1,396 reported to the OIG prior to the audit. These shortages were referred to OIG's investigative staff for further review.

Current controls over imprest funds need to be improved and strengthened. Specifically, responsible Agency officials have failed to conduct periodic reviews of their respective cashier operations as required; some cashiers have not maintained exclusive control of their funds; are involved in more than one key aspect of imprest-fund transactions; and have not obtained or prepared sufficient supporting documentation; the use of money orders does not comply with regulations; and employees making purchases are not always taking advantage of potential discounts and sales-tax avoidance.

In addition to the need to strengthen compliance with current imprest fund regulations, OIG found the Manual of Operations and Administration (MOA), the primary source of guidance for cashiers and their supervisors, is outdated and incomplete in addressing several significant issues. (See also, page 29. para. 5)

The Agency concurred with OIG's recommendations and has initiated corrective actions. (Report No. A-90-03)

USIA Bankcard Pilot Program

In January 1989, OIG reviewed and approved the internal controls established by the draft bankcard program operating instructions and agreed to monitor the pilot program, review operations, and test applications of internal control procedures.

OIG found that while adequate internal control standards had been established for cardholders and approving officials, several instances of non-compliance with these standards occurred, largely because of unfamiliarity with the standards.

Procedural guidelines and staff training required

OIG also found that no written procedures had been established by the Office of the Comptroller to govern processing bankcard transaction documentation prepared by cardholders and approving officials, for preparing financial reports, for reconciling financial accounts, or for disbursing or transferring funds to the bankcard contractor. In addition, no formal plans had been proposed for meeting a greatly increased administrative workload that would result if the bankcard program were implemented Agency-wide.

OIG made a specific recommendation that the Comptroller establish written procedures to process bankcard transactions, and to designate and train other staff members to perform these critical administrative functions. The Agency concurred with OIG's recommendations and is in the process of initiating corrective action. (Report No. L-90-07)

Training for Foreign Service Officers and Staff

OIG reviewed previous inspection and audit reports to identify recurring deficiencies in the management and administration of overseas posts. Eight such specific problem areas were highlighted:

Recurring deficiencies in overseas post management and administration identified (1) supervision/interpersonal relations (Americans and Foreign Service Nationals); (2) utilization of the Distribution and Record System (DRS); (3) administrative relations between the USIS post and mission staff (Department of State), including the Foreign Affairs Administrative Support (FAAS) relationship; (4) financial planning/budget development and management; (5) personnel administration; (6) small purchases; (7) property/ equipment management; and (8) grants/contracts.

More purposeful and systematic training program recommended OIG then canvassed selected Foreign Service officers serving in the field to obtain their views on the effectiveness of Agency training in these areas. Subsequently, after reviewing these questionnaire responses and interviewing Agency officials most conversant with the management and administrative skills of Foreign Service officers, plus reviewing the applicable legislative and administrative guidance to the Agency on this type of training, OIG concluded that USIA needed to do a more purposeful and systematic job of training its personnel assigned to overseas management and administrative positions. Agency management concurred with the recommendations, pointing out that many already had been implemented and that others required resources that were not then available. (Report No. I-90-03)

ONGOING AND PROJECTED AUDIT WORK AT M BUREAU

OIG has scheduled an audit of the management and accountability of real property assets. A review of contracting policies and procedures has also been planned.

V - OTHER OIG ACTIVITIES

INVESTIGATIONS

OIG has investigative oversight responsibilities over all USIA employees, contractors and grantees worldwide. International investigations require coping with language and cultural differences, varied administrative and judicial requirements, and ever-changing political realities.

OIG has continued to achieve meaningful investigative results, especially in connection with investigations relating to fraud and employee misconduct.

In addition to its primary investigative function, OIG also seeks ways to improve the economy and efficiency of the Agency by identifying systemic deficiencies causing waste, fraud and abuse that are noted during the course of investigations. These systemic weaknesses are brought to the attention of management, via Management Implication Reports (MIRs), for its immediate consideration of corrective action. OIG recognizes that the cooperation and assistance received from the various Bureau and Office heads and their employees is an essential part of its accomplishments.

Investigations conducted during the reporting period related to a variety of illegal and/or improper activities by Agency employees. Most of those investigations related to thefts of government funds, especially from imprest funds, time-and-attendance fraud, misuse of government resources, and general employee misconduct issues.

As noted in previous reports, OIG investigations have established that the primary causative factor in the majority of these cases has been due to a lack of adequate supervision. OIG contends, therefore, that in addition to establishing proper procedural guidelines, Agency management needs to stress supervisory accountability.

Results of the 23 cases closed during this period included disciplinary and corrective actions, resignations, and prosecution. Also, Agency management or administrative deficiencies were identified. Monetary recoveries from the cases closed totaled \$18,144. (Appendix C)

Summaries of seven of these cases are as follows:

Time-and-Attendance Fraud

An OIG investigation determined that an Agency employee, who served in a timekeeper position, deleted 128 hours of sick and annual leave valued at \$1,798 from Time-and-Attendance sheets after they were signed by the Certifying Officer and before they were forwarded to the Agency's payroll office. The employee received a 30-day suspension and made full restitution. (Report No. 89-HA-038)

Diversion of Government Funds

Former employee prosecuted for fraudulent diversion of Government funds Based on an Agency referral, an OIG investigation disclosed that a former Agency employee converted to personal use 73 money orders totaling \$6,811 that were purchased with USIA imprest funds to pay various contractors. The case was accepted for criminal prosecution by the U.S. Attorney for the District of Columbia. This resulted in a guilty plea, a suspended sentence with three years probation and an agreement for full restitution of the stolen funds. (Report No. 88-HE-008)

In addition, a Management Implication Report (MIR) was prepared identifying the causative systemic weaknesses, and provided recommendations for the prevention of similar occurrences in the future. In response to this MIR, the employee's office agreed with the corrective recommendations to initiate better controls on the purchases and use of money orders, including separation of duties and responsibilities for oversight and review. Also, they agreed to review instructions in coordination with the Agency's Bureau of Management, and to send OIG copies of any revisions.

Imprest Fund Theft

An OIG investigation was conducted on the basis of a USIA audit which disclosed a shortage of \$704 in an Agency imprest fund. The custodian responsible for the account admitted stealing the funds. Full restitution and a 14-day suspension without pay resulted from this investigation. (Report No. 88-HD-041)

Misuse of Government Resources (Vehicles)

An OIG investigation confirmed allegations that an Agency employee on temporary travel status used an Agency assigned vehicle and driver on four non-official personal weekend journeys, accompanied by a relative. The employee later submitted receipts for reimbursement for three of the four trips.

The employee was: (1) assessed two days annual leave; (2) required to reimburse the government \$148 in excess per diem; (3) charged with an additional \$250 in costs for operating the government vehicle and (4) issued a letter of reprimand.

This investigation also resulted in the issuance of a memorandum to all domestic and foreign bureau correspondents informing them of restrictions in the use of government vehicles. (Report No. 88-HB-29)

Dependent Travel Fraud

\$1.124 reimbursement for false education travel claim required

An OIG investigation confirmed allegations that a USIS dependent was involved in educational travel expense irregularities. The investigation determined that the dependent had submitted for reimbursement, \$1,124 in false education travel claims. Full restitution for the false travel claims was obtained. (Report No. 88-HF-39)

Misuse of Government Resources (Vehicles)

An OIG investigation confirmed a Hotline complaint alleging that an Agency employee was misusing government vehicles at his overseas duty station. The employee received a letter of admonition with a provision that it would be considered in the employee's evaluation report. The investigation also resulted in the issuance of an Areawide letter addressing mission vehicle-use policies. (Report No. 88-HF-15)

Misuse of Government Resources (Telephones)

An OIG investigation confirmed the alleged improper use of government long-distance telephone lines by an Agency employee. The employee was suspended for 14 days without pay and required to make reimbursement of \$2,771.

As an ancillary result of the investigation, the responsible Agency element instituted more stringent internal controls over long-distance telephone calls which has reduced overall telephone billing. (Report No. 89-HB-048)

Investigation results in \$2,771 reimbursement, employee suspension plus improved internal controls

ASSISTANCE TO CONGRESS AND AGENCY MANAGEMENT

OIG has continued to provide assistance to the Congress and Agency management in terms of both ongoing activities and special requests, particularly in the areas of internal controls and audit follow-up and in other areas as summarized below.

The Federal Managers' Financial Integrity Act

OIG conducted a limited audit of the Agency's progress in implementing the Federal Managers' Financial Integrity Act of 1982 (Integrity Act) in accordance with criteria set by Office of Management and Budget Circulars No. A-123 (Revised August 4, 1986), "Internal Control Systems" and No. A-127, "Financial Management Systems." OIG found that the Agency has continued to make significant improvements in its internal control programs during fiscal year 1989. However, improvements are still needed in completing risk assessments of overseas operations. In addition, certain domestic elements have not provided annual letters of assurance regarding internal controls. Except for these needed improvements, nothing came to OIG's attention during the limited review of Agency systems of internal control to indicate noncompliance with Section 2 of the Integrity Act (Internal Control Systems). The Agency has reported noncompliance with Section 4 of the Integrity Act (Financial Management Systems), and has set a target date of 1992 to have an integrated, efficient financial management system.

The Agency has continued to make significant improvements but more are still needed

Other Areas of Assistance

OIG is working with the Agency in streamlining the audit recommendation follow-up process to achieve compliance with the IG Act amendments.

Strategic planning process under review

In addition, OIG has been discussing with Agency management the need to institutionalize a more formalized medium- to longrange strategic planning process. While the Agency employs various means to examine its goals and priorities, under the current dynamic period in international affairs a reexamination and greater articulation of the Agency's planning process and its relationship to resource allocations are warranted.

LEGISLATIVE AND REGULATORY **ACTIVITIES**

OIG continues to review requests regarding proposed legislation received from Congress, OMB and PCIE. Major proposed legislation has been monitored to assess its impact on the policies and procedures of OIG and the OIG community as a whole. Specifically, OIG recently endorsed Senate Bill S2080 and House Bill H.R. 4149, which would provide full law-enforcement authority for criminal investigators of the Offices of Inspector General.

In addition, OIG has initiated action with the Agency's Office of General Counsel to implement, via Agency regulation, the provisions of the Program Fraud Civil Remedies Act (PFCRA), Public Law 99-509. Targeted for implementation not later that October 1, 1990, this regulation will provide the Agency with a new tool to prosecute false claims and false statements administratively. A person found liable may be penalized up to \$5,000 per claim or statement, and may also be required to pay double the amount falsely claimed.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE)

> During this period OIG participated in several PCIE projects, providing inputs and continuing activities related to the development of accounting systems in the federal government, and identification of the source of high-payoff audits.

FRAUD AWARENESS AND PREVENTION

OIG continues to stress education and training in the prevention of fraud, waste and abuse. Bi-weekly programs, in concert with the Agency's Ethics Officer and the Office of Security, are conducted with all new Agency employees. Information regarding the OIG hotline has been disseminated with the most recent initiative being the placing of Hotline data on the Eamings and Leave Statements of all employees.

OIG RESOURCES

The total number of full-time permanent positions currently authorized for OIG is 50. As of March 31, 1990, 44 of these positions were filled. With tasks continuing to outnumber resources, it was necessary to supplement OIG staffing during this period with two reemployed annuitants. Also, it was necessary to obtain additional audit support by contracting with public accounting firms.

Fiscal year 1990 appropriations for the USIA OIG were set at \$3.624 million. For fiscal year 1991, OIG has requested \$4.123 million. This includes funding for five additional positions.

APPENDIX - A

GLOSSARY OF TERMS*

The following defines the terms used in reporting audit and inspection statistics:

<u>Ouestioned Cost</u> - A cost the OIG has challenged because of an alleged violation of law, regulations, contract, grant, cooperative agreement or other agreement or document governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<u>Unsupported Cost</u> - A cost the OIG has questioned because of lack of adequate documentation at the time of the audit.

<u>Disallowed Cost</u> - A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

Funds to be Put to Better Use - Funds the OIG has identified in an audit recommendation that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

<u>Management Decision</u> - Management's evaluation of audit findings and recommendations and issuance of a final decision concerning management's response to such findings and recommendations.

Final Action - The completion of all management actions--which are described in a management decision--with respect to audit findings and recommendations. If management concluded no actions were necessary, final action occurs when a management decision is issued.

 Excerpt from Inspector General Act Amendments of 1988, Public Law 100-504, Section 106(d).

APPENDIX - B

AUDIT AND INSPECTION REPORTS

Report No.	Issue Date	Title/Auditee	Ouestione Total	d Costs Unsupported	Funds Put to Better Use
	d Managem				
A-90-03	12/05/89	Review of Agency Imprest Funds	-0-	-0-	-0-
A-90-07	01/26/90	Report on the Audit of the USIA Domestic Payroll System	-0-	-0-	-0-
L-90-01	10/27/89	USIA Library Policy	-0-	-0-	-0-
L-90-02	10/31/89	Pre-Award Accounting Survey and Review of Indirect Cost Rates of the National Council for International Visitors, Reston, VA	-0-	-0-	-0-
L-90-03	12/28/89	Final Report on the Review of Bureau of Educational and Cultural Affairs Grant Management Procedures	-0-	-0-	-0-
L-90-04	01/11/90	Review of the Provisional Indirect Cost Rates for the Eisenhower Exchange Fellowships, Inc., Philadelphia, PA	-0-	-0-	-0-
L-90-05	01/12/90	Review of the Provisional Indirect Cost Rates for the American Cultural Exchange (ACE), Seattle, WA	-0-	-0-	-0-
L-90-06	04/13/90	Survey of USIA's Domestic Accounting Classification Code Structure	-0-	-0-	-0-
L-90-07	04/13/90	OIG Review of USIA's Bankcard Pilot Program for Small Purchase	-0-	-0-	-0-
L-90-08	04/26/26	Review of USIA Domestic Accounts Receivable and Suspence Deposit Funds	-0-	-0-	-0-
L-89-14	10/31/89	Survey Report on the Office of Research	-0-	-0-	-0-
		Subtotal	\$ -0-	\$ -0-	\$ -0-
Grant and	Contract Au	dia			
A-90-01	11/09/89	USIA Grant Agreements with International Theatre Institute of the U.S., Inc., New York, N.Y.	-0-	-0-	-0-
A-90-02	11/20/89	USIA Grant Agreements with International Management and Development Institute, Washington, D.C.	\$ 7,611	\$ 3,807	-0-
A-90-04	12/05/89	USIA Grant Agreements with Asian Cultural Council, Inc., New York, N.Y.	4,375	-0-	-0-

Appendix	- B (continued)				
A-90-05	12/28/89	USIA Grant Agreements with American Council on Education, Washington, D.C.	557,027	12,811	-0-
A-90-06	12/28/89	USIA Grant Agreements with George Meany Center For Labor Studies, Washington, D.C.	-0-	-0-	-0-
A-90-08	01/26/90	USIA Grant Agreements with the Experiment in International Living, Brattleboro, VT	973	973	-0-
A-90-09	02/06/90	USIA Grant Agreements and USAID Cooperative Agreement with National Association for Foreign Student Affairs Washington, D.C.	31,904	1,761	-0-
A-90-10	02/28/90	USIA Grant Agreements with Meridian House International, Washington, D.C.	735,325	265,451	-0-
A-90-11	03/09/90	Delay Claim Submitted by Kennedy & Sons Construction Corporation, Coral Gables, FL	\$108,203	-0-	-0-
A-90-12	03/09/90	USIA Grant Agreements with American Association of College Registrars Washington, D.C.	10,923	7,282	-0-
A-90-13	03/16/90	USIA Grant Agreements and Contracts, National Endowment for Democracy, Dept. of HUD Grant Agreements with Delphi Research Associates, Washington, D.C.	1,174	1,174	-0-
A-90-14	03/16/90	USIA Grant Agreements with Youth for Understanding, Washington, D.C.	54,921	2,375	-0-
A-90-15	03/20/90	Audit of Final Cost Incurred Under Cooperative Agreement with British Broadcasting Corporation for FYs Ended March 31, 1986 - 1989	102,980	-0-	-0-
A-90-16	03/28/90	USIA Grant Agreements with Operation Crossroads Africa, Inc., New York, N.Y.	245,886	503	-0-
		Subtotal	\$1,861,302	\$296,137	\$ -0-
Inspection	Reports				
I-90-01	03/13/90	Inspection-Audit Report, USIS Dominican Republic	-0-	-0-	-0-
1-90-02	03/26/90	Inspection-Audit Report, USIS Haiti	-0-	-0-	-0-
1-90-03	3/29/90	Inspection-Audit Report - Review of United States Information Agency's Management and Administrative Skills Training of Foreign Service Officers and Staff.	.0.	-0-	.0.
		Subtotal	\$ -0-	\$ -0-	\$ -0-
		TOTAL	\$1.861.302	\$ 296,137	\$ -0-

APPENDIX - C

INVESTIGATIVE ACTIVITIES

STATISTICS

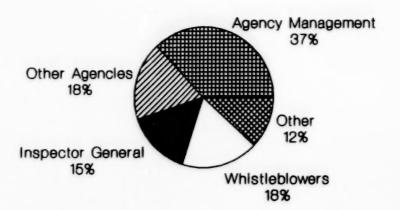
Caseload

	Pending beginning of period	76
	Opened this period	
	Closed this period	
	Pending end of period	
Resu	ilts of Cases Closed	
	Prosecutions	1
	Resignations	2
	Agency disciplinary action taken	8
	Agency corrective action initiated	6
	Allegations not substantiated	7
	Administratively closed (No action)	6
		30
Mon	etary Results From Cases Closed	
	Recoveries/Restitutions	\$18,144
Hotli	ne Calls	7
Man	agement Implication Reports Isqued	2

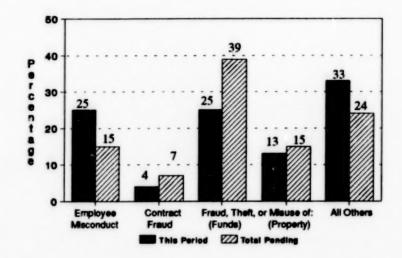
^{*} Reflects multiple results of the 23 cases closed.

Appendix - C (continued)

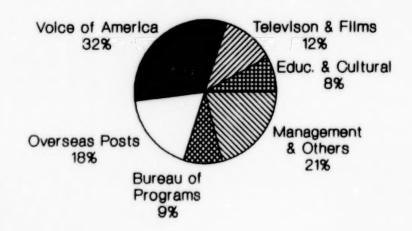
Source of Pending Investigations



Character of Investigations



Investigative Dispersion



APPENDIX - D

REPORTS ISSUED WITH QUESTIONED COSTS

Dollar Value of <u>Ouestioned Costs</u> (in thousands)

		•
Number Reports	Total Costs	Unsupported * Costs
7	\$ 451	\$95
12	1.861	296
19	\$2,312	\$391
8	\$ 326	\$ 44
4	_177	18
8 **	\$ 503	\$62
11	\$ 1,809	\$329
====	******	
1	\$ 60	33
	Reports 7 12 19 8 4 8 **	7 \$ 451 12 1.861 19 \$2,312 8 \$ 326 4 177 8 ** \$ 503

^{*} Amounts are also included in Total Costs.

^{**} Four reports contained both disallowed costs and costs not disallowed.

REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

		Number Reports	Dollar Value (in thousands)
-	orts subject to agement Decision:		
a.	Issued during prior reporting periods	1	\$125
b.	Issued during current reporting period	0	_0
c.	Total	1	\$125
	ports For Which Decision as Made This Period:		
a.	Recommendations that were agreed to by management:		
	- Based on proposed management action		\$125
	- Based on proposed legislative action	0	0
b.	Recommendations that were not agreed to by management:	Q	_0
c.	Total	1	\$125
deci	oorts for which no ision was made by end of the orting period:		
		0	0
mar	oorts for which no nagement decision was de within six months		
	suance:	0	0

APPENDIX - F

AUDIT REPORTS UNRESOLVED OVER SIX MONTHS

Phelps-Stokes Fund

The report, issued on December 9, 1988, made nine recommendations identifying questioned costs applicable to both USIA grants and Department of State agreements. The Contracting Officer at the Department of State, as the cognizant agency, is still in the process of negotiating the final indirect cost rates. Once those rates are finalized, then the final decision on the questioned costs can be resolved. The Contracting Officer at USIA has requested the Contracting Officer at the Department of State to provide a written report on the current status of all recommendations. (Report No. A-89-03)

DEBTS OWED TO USIA

In accordance with the Senate Committee on Appropriations report on the Supplemental Appropriations and Recision Bill of 1980, the following chart shows preliminary, unaudited figures provided by USIA on appropriation funded debts which were owed, overdue and resolved during the six month period ending March 31, 1990.

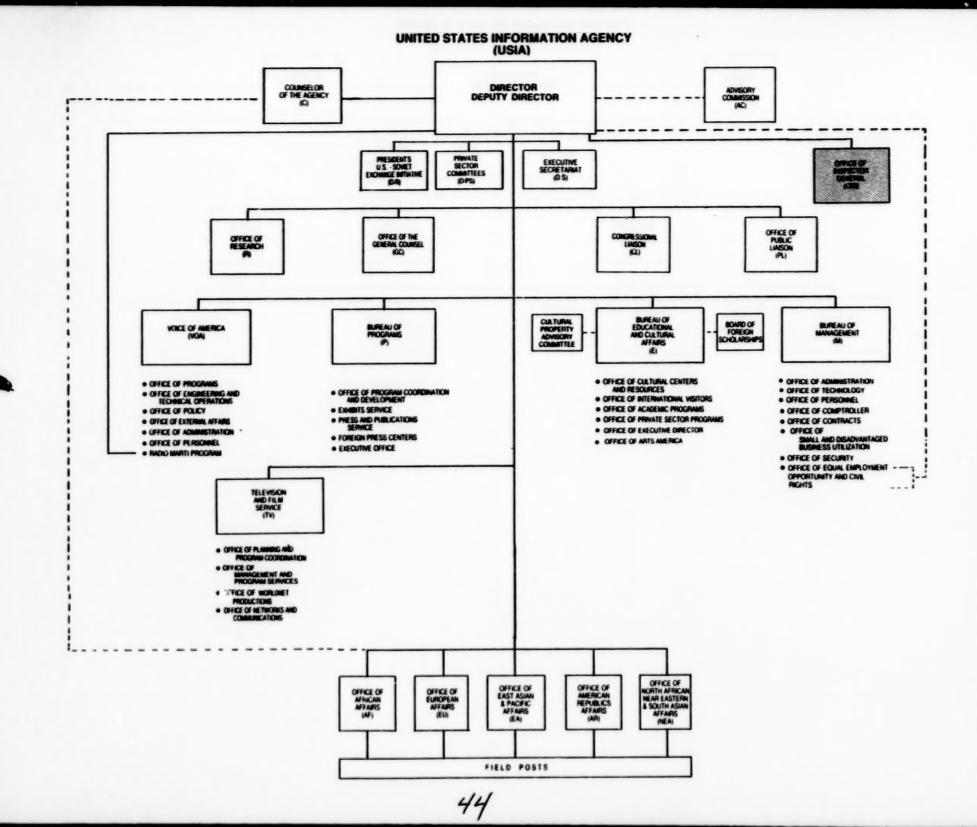
	Owed	Overdue	Resolved During Period(1)
September 30, 1989	\$1,462,800	\$ 93,600	(\$348,600)
March 31, 1990	\$1,742,146(2)	\$1,151,136	(2) (\$353,134)
Change	\$ 279,346	\$1,057,536	

The balance as of March 31, 1990 is \$1,389,012.

⁽¹⁾ Includes cash refunds, compromises and waivers, and write-offs

⁽²⁾ Includes one large account: IRS - \$1,022,300

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PRINCIPLES OF ETHICAL CONDUCT FOR GOVERNMENT OFFICERS AND EMPLOYEES



To insure that every citizen can have complete confidence in the integrity of the rederal Government, each Federal employee shall respect and adhere to the fundamental principles of ethical service as implemented in regulations promulgated under sections 7.01 and 301 of this order:

- (a) Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws, and ethical principles above private gain.
- (b) Employees shall not hold financial interests that conflict with the conscientious performance of duty.
- (c) Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.
- (d) An employee shall not, except pursuant to such reasonable exceptions as are provided by regulation, solicit or accept any gift of other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
- (e) Employees shall put forth an honest effort in the performance of their duties.
- (f) Employees shall make no unauthorized commitments or promises of any kind purporting to bind the Government.
- (g) Employees shall not use public office for private gain.
- (h) Employees shall act impartially and not give preferential treatment to any private organization or individual.
- (i) Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.
- (j) Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.
- (k) Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.
- (1) Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those--such as Federal, State, or local taxes--that are imposed by law.
- (m) Employees shall adhere to all laws and regulations that provide equal opportunity forall Americans regardless of race, color, religion, sex, national origin, age, or handicap.
- (n) Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards promulgated pursuant to this order.

Excerpt from Executive Order 12674 of April 12, 1989.

FOR ADDITIONAL INFORMATION OR COPIES

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Washington, D.C. 20547

Provide the following: Who, What, When. Where, Why and How



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